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1. During the first quarter of 1952, increasing difficulties were experienced in East Germany in the production of aluminum, corundum, and allied products because of the drop in the supply of bauxite. Imports from Hungary during that period were up to expectations, but production in East Germany fell, with the result that the total quantity available for distribution was only 8,990 tons instead of the planned 14,930 tons. Most of this was allotted to Electrochemisches Kombinat, Bitterfeld, with the result that all the other claimants went very short.
2. During the second quarter, the situation became a great deal worse, and by the end of it was so serious that production in all fields was threatened. This situation has come about by the failure of Hungary to deliver any of the 130,000 tons she had contracted to deliver.
3. In a report on the situation made at the State Administration for Material Procurement on 5 May 1952, it was stated that even with the most optimistic calculation, home production in the second quarter of 1952 would produce only 10,000 tons and that it would not be possible to allot all this to Bitterfeld again (for whom it would not in fact be nearly enough) and entirely neglect such important works as Leuna and Schkopau who urgently needed it for catalysts, Hescho-Kahla, who required it for technical porcelain, Zschornowitz (corundum), Neuhaus (spark plugs), Schott und Genossen (special glass), and Fluorwerk Dohna (for the manufacture of cryolite), of which group the two latter were good dollar earners.
4. In view of this serious situation, State Secretary Hans-Paul Ganter-Gilmans saw the Hungarian Commercial Attache in Berlin, Sipos (fnu), at the end of May 1952. The latter assured him that deliveries of bauxite would recommence at once. Up to 21 June 1952, this had not, however, taken place and Ganter-Gilmans therefore wrote to Sipos at the Hungarian Trade Mission (Berlin-Treptow, Puschkinallee 48), pointing out this fact and reminding him of the contract whereby Hungary had agreed to deliver 15,000 tons of bauxite to East Germany monthly as of March 1952. "You will understand", wrote the Minister, "that a reduction or suspension of aluminum

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production in East Germany must, for political as well as economic reasons, on no account be allowed to happen and I must ask you with all possible urgency to see that deliveries recommence immediately."

5. In spite of this appeal, there was still no result, and on 7 July 1952 the East German Minister for Trade, Georg Handke, wrote directly to the Hungarian Minister for Trade, Andras Szobek, in Budapest, reviewing the situation and informing him that the Ministry was now faced with the grave possibility of having to suspend all production of aluminum within the next few days if no bauxite was delivered.¹

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25X1 [] Comment. [] there was no change in the position regarding imports from Hungary and that efforts were being made to secure bauxite in West Germany by illegal means. The failure of Hungary to implement her undertaking is because of interference by the USSR, and this is no doubt the reason for Handke's writing to Budapest instead of to the CMEA as he theoretically should.

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